



# Committee On Finance

Max Baucus, Ranking Member

---

## NEWS RELEASE

<http://finance.senate.gov>

For Immediate Release  
December 8, 2006

Contact: Carol Guthrie  
202-224-4515

### **Tax-Health-Trade Extenders Bill Statement of Senator Max Baucus**

Mr. President, I am pleased to join my friend and Chairman, Senator Grassley, in bringing this package of needed tax, health, and trade matters to the Senate floor.

This is the last bill that Senator Grassley will manage as Chairman, for at least a couple of years. And I want to take this opportunity to recognize his leadership as Chairman on the Finance Committee. He and I have worked together as partners. And we will continue to work together as partners in the Congress to come.

Mr. President, Goethe said: "To rule is easy, to govern difficult." Surely, this bill is evidence of that.

The vast bulk of this bill is simply the business of governing. It continues needed tax, health, and trade law. These are things that we must do, if we are to govern effectively. But certainly this bill has been difficult to enact.

Much of this bill has been more than a year in the making. It involved negotiations between several Committees, two Houses, and bipartisan leadership teams. It suffered many deaths. And it enjoyed a few resurrections. But through hard work and determination, we are finally able to present today this bipartisan, bicameral agreement.

The provisions of this bill are overwhelmingly the business of governing. They reinstate tax laws that have been needlessly disrupted. They protect health care coverage. And they continue free trade arrangements that benefit consumers and the residents of some of the world's poorest countries.

Let me first turn to the tax section of the agreement. The key tax provisions of this bill are a host of popular tax incentives that expired last December. They have languished all year.

The Finance Committee and the Senate passed legislation to extend these credits on time. The Senate passed them in November of last year as part of the tax reconciliation bill. But the conference with the House kicked those tax cuts out.

*--6 more--*

Folks told us that the tax cuts would travel on the next tax bill, the pension conference. But again, the conference committee with the House removed them to sweeten other bills. When coupled with other, more controversial measures, they failed.

This is an unfortunate history. And it is one that I that hope we will not repeat. If this Senator has anything to say about it, this is not how we will govern, in the next Congress.

Congress's delay in extending these tax provisions caused uncertainty. And the delay until now will have real consequences for taxpayers. Just this week, I received a report of the contingency plan at the IRS for the 2007 filing season. The IRS identified about 60 tax forms and products that will be affected by this delay.

The Form 1040 has already gone to the printer. That happened back in November. More than 120 million taxpayers use that form. The IRS will not reprint those forms.

The IRS expects taxpayer confusion. IRS expects more phone calls to the IRS with questions. IRS expects delays in filing. IRS expects incorrect returns. And IRS expects more amended returns.

Further, the IRS will need at least six weeks to reprogram its systems to accommodate the changes. It is simply too late for the IRS to implement the 2007 filing season on time. This means delays in starting to process and issue refunds. And it means money. It may cost the IRS millions in additional costs because of our delay. And the cost to taxpayers could be even greater.

In September, I brought a display of the draft Form 1040 for next year. Already, the classroom teachers' deduction and the college tuition deduction were gone. Millions of families that normally take those deductions, and other popular incentives like the state sales tax deduction, will wonder why those lines no longer appear on the Form 1040. And, unless taxpayers are willing to get on the internet and search, they may never know that we extended these incentives in the nick of time.

Governing may be difficult. But we must do better.

We must do better by our business taxpayers. Twenty thousand businesses who hire the hard-to-employ have continued to hire these workers with only a hope that we would retroactively extend the Work Opportunity Tax Credit. I am pleased to report that the credit is retroactive to the beginning of this year. And improvements will be effective beginning next year.

For the 16,000 businesses in this country that create high-tech jobs for U.S. workers, we have retroactively extended the R&D credit to the beginning of this year. We have provided for a new, enhanced credit for next year. And, we have also provided a special rule for fiscal year taxpayers. That will ensure that these businesses can access the credit even though their tax year has closed.

The agreement also provides a one-year extension of certain energy tax incentives that were due to expire next year. This package includes the popular credit for electricity from alternative energy sources.

And this agreement extends expired individual tax incentives for two years — 2006 and 2007. These incentives include the college tuition deduction, the state sales tax deduction, and classroom teachers' deduction, among others.

This bill also has a substantial health component. The main attraction is an adjustment to the Medicare physician payment rate. This will stave off a cut of more than five percent in what Medicare pays doctors in 2007.

And we are going to reward doctors for reporting on their performance. This will help move us toward paying for quality in the Medicare program. The information collected when doctors report on quality measures will be the foundation for paying for performance. We will move toward rewarding outcomes, rather than simply the number of procedures.

This bill also extends important provisions from the 2003 Medicare Modernization Act that are scheduled to expire at the end of this month. These extender provisions will help rural clinical laboratories, physical and occupational therapy patients, and pathologists.

The bill will ensure continued access to dialysis services for patients with kidney failure. And it will correct how vaccines are reimbursed under the new Medicare prescription drug benefit. This will make vaccines even easier for seniors to get.

Fighting health care fraud and abuse is another important part of this bill. A special fund, known as the Health Care Fraud and Abuse Control fund, was established years ago to help the Department of Health and Human Services and the Department of Justice work together to identify, deter, and prosecute health care fraud. Unfortunately, Congress has frozen the program's resources since fiscal year 2003. This bill would increase funding for the program each year for the next four years to keep up with inflation.

This bill provides the administration with another tool in fighting erroneous payments in Medicare. It would expand a demonstration program that was included in the 2003 Medicare law to use recovery audit contractors to identify and collect overpayments in Medicare.

This bill also has some important provisions related to the Medicaid program. One provision codifies the maximum rate at which states can tax health care providers under their Medicaid plans.

Another provision extends transitional medical assistance, or TMA, for up to a year. TMA makes sure that low-income families do not lose their Medicaid health insurance when they move from welfare to work.

This bill has real benefits for real people. In my home state of Montana alone, the physician payment adjustment will make a difference of between \$10 million and \$13 million to Montana doctors in 2007. The clinical laboratories extension provision will mean an additional \$900,000 for clinical laboratories in Montana. The therapy caps exception will mean an additional 1,700 Montanans will have access to physical and occupational therapy services in 2007. And the Medicaid provider tax provision means that Montana Medicaid nursing homes will get \$112 million in additional revenues over the next five years, while the state will save \$36 million.

The provisions in this bill are good for beneficiaries. These are good policies and they will help Medicare and Medicaid continue to provide Americans with the kind of quality health care that they deserve.

Mr. President, this legislation also ensures that two important trade programs, the Generalized System of Preferences and the Andean Trade Preferences Act, will not expire at the end of this year. Thousands of people's jobs depend on these programs, both here and abroad.

The Generalized System of Preferences has been a part of American trade policy for more than three decades. It has encouraged development in poor countries by granting duty-free access to the world's largest market.

But developing countries are not the only beneficiaries. American businesses benefit from the program. It allows them to source inputs and components duty-free. They can pass these benefits on to their customers in the form of lower prices and greater product variety.

Yes, critics of the Generalized System of Preferences rightly point out that the largest beneficiaries are middle income countries with strong export sectors that may not need these preferences.

With this in mind, we have given the President authority to scale back benefits under the program if he determines that a country has become a competitive exporter. The President can examine the circumstances unique to each beneficiary country and weigh them against foreign and economic policy priorities.

This bill will extend benefits under the Andean Trade Preferences Act for another six months, and would make a beneficiary country eligible for benefits for six more months if the United States and that country both complete their legislative processes to implement a free trade agreement.

This extension means that the Andean countries' current preferences will not disappear abruptly at the end of this year. That would throw thousands of people out of work in the Andean region, and possibly drive thousands more to coca cultivation and trafficking.

I continue to believe that a simple one-year extension for both the Generalized System of Preferences and the Andean Trade Preferences Act — without changes — is the best policy. A one-year extension would allow us to maintain the status quo. That would give us breathing space to evaluate all our preference programs next year and determine whether and how they mesh with our trade and competitiveness goals.

That is not what this bill contains. But what this bill does contain on these important programs is far preferable to the disruption that expiration would engender for the thousands of people both here and abroad whose jobs rely upon these programs.

In the next Congress, I intend to examine our trade preference programs, to explore whether and how they might be changed to address the valid criticisms some of my colleagues have made. We should understand the effect these programs have on the U.S. image around the world, our diplomatic efforts, and our trade priorities in the Doha Round and elsewhere.

And we should give those in the United States who rely upon our trade preference programs an opportunity to suggest how those programs might be improved, and to explain how their interests might be affected by some of the changes that have been proposed.

This bill also establishes a crucial five-year trade preference program for a country much closer to home — Haiti. Haiti, just 600 miles from our shores, is the poorest country in our hemisphere.

This program could help the people of Haiti to get back on a path to prosperity, opportunity, and long-term political stability. I commend the tireless efforts of Senators Bill Nelson and Mike DeWine, former Senator Bob Graham, and incoming House Ways and Means Committee Chairman Charlie Rangel to ensure that this Congress would extend this vital assistance.

This legislation also extends expiring third-country fabric provisions for the least-developed African countries under the African Growth and Opportunity Act. That Act has contributed to the creation of thousands of jobs and investment in Sub-Saharan Africa. It has been credited with nearly tripling African apparel exports to the United States. These exports, around \$1.4 billion in 2005, are just a fraction of the U.S. apparel market. But they are very significant to the companies and workers supplying them.

This bill extends the third-country fabric provisions until 2012. I believe that if we give this program more time, more opportunities for investment and development will take root in southern Africa.

The bill before the Senate today will also deliver some much-needed help for American manufacturers who import products they can't buy in the United States. This bill temporarily suspends duties charged on imported manufacturing inputs, provided that no domestic company produces those goods.

These duty suspensions mean jobs for American workers. They mean that Simms Fishing in Bozeman, Montana can save money on the production of their world-class fishing waders. And Sun Mountain Sports in Missoula, Montana, will get a break on the cost of manufacturing its high quality golf bags. While each duty suspension is worth less than \$500,000, that money can mean a lot to small businesses around the country like Simms and Sun Mountain. The money they save can be reinvested in more jobs and further development right here at home.

Mr. President, today the Senate also stands poised to accomplish a goal that has eluded the United States for nearly 200 years — normal economic relations with Vietnam.

In April 1975, trade between America and Vietnam stopped. After the fall of Saigon, America imposed an economic embargo on the newly unified Vietnam.

After years of painstaking diplomacy beginning with the first President Bush, relations between the United States and Vietnam improved. Trade between the two countries took off after the two sides began to implement a bilateral trade agreement in December 2001. Trade was just \$1.4 billion in 2001. Four years later, trade flows were five times as large, hitting \$7.7 billion in 2005. Vietnam's imminent accession to the World Trade Organization as its 150<sup>th</sup> member will accelerate this trend.

Economically, Vietnam has become a critical market for the United States. Out of the rubble of a war that killed roughly a million of its citizens, Vietnam has re-emerged as a country with more than 83 million smart, energetic, hard-working men and women.

The terms of Vietnam's WTO accession are first rate. Farmers and ranchers in Montana and across America will benefit from deep reductions in Vietnam's agricultural tariffs. Vietnam also committed to cut industrial tariffs to 15 percent or less for nearly all U.S. exports.

And Vietnam has further opened its market to our most competitive sector — the services industry — which employs three out of four Americans

But to benefit from these and the rest of Vietnam's WTO accession commitments, the United States must grant Vietnam permanent normal trading relations. That is the small price that we have to pay: granting Vietnam, on a permanent basis, the normal trade relations that we already provide Vietnam on a renewable basis. Senator Smith and I introduced a bill to do so in June — with Senators McCain, Kerry, Lugar, Hagel, Murkowski, and Carper.

If we do not grant Vietnam PNTR, then America will be shut out of Vietnam's market-opening commitments. If we do not, then the benefits of those commitments would instead flow to exporters in China, the European Union, Japan, and elsewhere.

But Vietnam PNTR is not just about economics. As important, it makes history. It completes the process of normalization and reconciliation between two formerly bitter enemies.

Let us make history today and pass this bill to grant Vietnam PNTR.

Let us provide taxpayers with the tax relief they have been waiting for all year. Let us ensure that harsh cuts do not drive doctors away from seeing Medicare patients. And let us take some small steps to foster free trade.

This year, governing has been difficult. But let us conclude this effort. Let us do this work that needs to be done. And let us conclude the work of this session of Congress.

###